

# Fiduciary Responsibility

EARCOS  
Administrator's  
Conference  
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## What we will discuss today

- Fiduciary Responsibility
- Role of the whole Board
- Role of each Board Member
- Role of the Business Manager

- PGP:
  - NAIS Principles of Good Practice
- Fiduciary Responsibility:
  - Duty of Care
  - Duty of Loyalty
  - Duty of Compliance

**NBOA** What is Fiduciary Responsibility?  
National Business Officers Association

- A **legal duty** imposed on individuals who are in positions of trust or confidence
- Requires an individual to act primarily in the interests of others.
- Requires scrupulous **good faith** and candor.
- Fiduciary duties are defined by statutes and **common law** (case law)
- The **country of incorporation** will have codified concept of fiduciary duty

Each trustee, *not just the treasurer and finance committee*, has fiduciary responsibility to the school for **sound financial management**.

Board members are required to act in the best interest of the school, taking reasonable care and exhibiting honesty and good faith.

“Act as an ordinarily prudent person in a like position under similar circumstances”

To ensure that the institution’s resources are dedicated to the fulfillment of its mission.

The trustee stays **fully informed** about current operations and issues by

- attending meetings regularly
- coming to meetings well prepared
- and participating fully in all matters
- asking questions

## Duty of Care

Help the Board stay **fully informed** about current operations and issues by:

- Providing financial information in a timely fashion and in an appropriate format
- attending meetings regularly and being well prepared
- Using professional knowledge to critically review all financial matters



## Duty of Loyalty - Definition

Trustees are required to put the **interests of the school first**, above their own self-interest or the interests of others.



## PGP - Trustee

The trustee takes care to separate the interests of the school from the specific needs of a particular child or constituency.

**Duty of Loyalty**

- The Board members keep all board deliberations **confidential**.
- The Board member guards against **conflict of interest**, whether personal or business related.
- A Board member accepts and supports board decisions. Once a decision has been made, the **board speaks with one voice**.

## Duty of Loyalty

The trustee has the responsibility to **support the school** and its head and to demonstrate that support within the community.

## Duty of Loyalty



## Role of the Business Manager

- The Business Manager keeps all board deliberations **confidential**.
- The Business Manager guards against **conflict of interest**, whether personal or business related.
- The Business Manager accepts and supports board decisions.



## Duty of Compliance - Definition

Board members are required to act in fidelity to the school's mission, to assure that all **laws and regulations are obeyed**, and to maintain the school's independence.

The trustee actively supports and promotes the school's **mission, vision**, strategic **goals** and **policy** positions.

**Duty of Compliance**

The board keeps full and accurate **records of its meetings**, committees, and policies and communicates its decisions widely, while keeping its deliberations **confidential**.

**Duty of Compliance**

The board assures that the school and the board operate in compliance with applicable laws and regulations, **minimizing exposure to legal action.**

## Duty of Compliance

- The Business Manager actively supports and promotes the school's **mission, vision, strategic goals** and **policy** positions.
- The Business Manager assures that the school operates in compliance with applicable laws and regulations, **minimizing exposure to legal action.**



## PGP - Trustee

**Authority is vested in the board as a whole.** A trustee who learns of an issue of importance to the school has the obligation to bring it to the head of school, or to the board chair, and must refrain from responding to the situation individually.

An individual trustee does **not become involved directly** in specific management, personnel, or curricular issues.



## Recap on Your Role as A School Board Member

- The board is the *guardian* of the school's mission.
- It is the board's responsibility to ensure that:
  - the mission is relevant and vital to the community it serves and
  - to monitor the success of the school in fulfilling its mission.



## Board accepts accountability

- Engaging in strategic financial planning
- Primary responsibility for the preservation of capital assets and endowments
- Overseeing operating budgets



## Resource Reading

- *NAIS Principles of Good Practice*
  - <http://www.nais.org/about/index.cfm?ItemNumber=146811&sn.ItemNumber=146810>
- *NAIS Trustee Handbook*, Mary DeKuyper
- *Governance as Leadership: Reframing the Work of Nonprofit Boards*, Richard Chait, William Ryan and Barbara Taylor
- *Good to Great for the Social Sector*, Jim Collins



## Chait's Three Levels of Governance

- Fiduciary
  - Review the financials, adopt the budget
- Strategic
  - Think 3-5 years down the road
- Generative
  - New approaches to Mission



## Jim Collins' Good to Great

### The Hedgehog Concept

- What do you do best?
- "Greatness" not profit: how do we define success?
- The Brutal Facts vs. Unshakeable Beliefs
  - Unsustainable financial model?
  - Changing school-age demographics?
  - Talent pool for faculty diminishing?
- Culture of Discipline
  - What to subtract when we want to add?
  - Can we ask the hard questions?



**If you have the right people on the bus, you will be able to:**

- Ask the hard questions
- Look for alternative solutions – not just business as usual
- Work collaboratively with the administrators



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